

City of Detroit

CITY COUNCIL

IRVIN CORLEY, JR.
DIRECTOR
(313) 224-1076

FISCAL ANALYSIS DIVISION
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 218
Detroit, Michigan 48226
FAX: (313) 224-2783
E-Mail: irvin@cnci.ci.detroit.mi.us

ANNE MARIE LANGAN
DEPUTY DIRECTOR
(313) 224-1078

TO: COUNCILMEMBERS

FROM: Irvin Corley, Jr., Director *LCJ.*
Anne Marie Langan, Deputy Director *AML*

DATE: December 16, 2009

RE: Report on Gaming Tax Revenue through November 2009

For Council's review, the attached schedules present the gaming tax revenue activity through November 2009 and prior fiscal years.

The city collected \$17.19 million in gaming tax revenue for the fifth month of the fiscal year, which was 26.75% greater than the prior month of October. The November 2009 collection was a 2.1% decrease over November 2008.

Adjusted gross casino gaming receipts came in at \$106.28 million for the month of November 2009. This represented a 3.5% decrease over the prior month and a .67% increase over November of 2008. Chart 2A "Monthly Detroit Gaming Receipts" through a twelve-month moving average trend line shows negative growth, approximately 3.6% since last September, among the combined casino receipts.

There is not a one-to-one relationship between the adjusted gross receipts and the tax revenue collection increases due to two factors. First, there is the fact that MGM and Motor City casinos began paying the city 1% less because of the permanent casinos opening on October 3 and November 29 of 2007. This reduction to the city is part of state Public Act 306 of 2004, when the legislature amended Public Act 69 of 1997, which was the original casino gaming legislation. P.A. 306 increased the wagering tax by 6% of which 2% went to the City of Detroit. The caveat was that when the permanent casino had been certified by the state gaming board as having operated for 30 consecutive days and once the city determined the project was complete, 5% of the 6% additional wagering tax would be eliminated, with the remaining 1% allocated to the city where the casino is being operated. Greektown should continue to pay the 6%

additional wagering tax – 4% to the state, 2% to the city – until the permanent is open for thirty days and certified by the Administration, which has not yet occurred.

Second, the amended development agreement of August 2002 between the city and the casinos, which is separate from the state law, has all casinos, beginning in January 2006, paying an additional 1% over the state law, plus another 1% when the casino reaches \$400 million in gross receipts in a calendar year. For the fourth year in a row, due to MGM and Motor City reaching \$400 million in the calendar year, gaming tax collections should spike by \$10.0 million between September and December.

MGM did reach \$400 million in September, and should have transferred to the City the initial \$4.0 million of the additional 1% within 10 days as stipulated in the development agreement. It does not appear that the amended casino development agreement included any penalty for late remittance, which MGM has taken advantage of each prior year. This year, MGM remitted the \$4 million very close to the timetable in the development agreement. Motor City did reach \$400 million during the month of November and has consistently remitted the funds to the city within the proper timeframe as outlined in the development agreement. It is not projected that Greektown will reach that threshold. Interestingly, Greektown's collections have improved by 18% in the first five months of the fiscal year compared with the same period last year. However, the collections at MGM and Motor City have decreased over the same period, 7.8% and 6.9%, respectively, which will reduce the amount of the additional 1%, estimated at \$10 million, paid to the City in this fiscal year. Collectively, the casinos' receipts have decreased by 1.68% in the first 5 months of the fiscal year, compared with the prior fiscal year.

The 2009-2010 budget for gaming fee revenues is \$176.6 million, a 9.3% decrease over the 2008-2009 budget of \$194.78 million. Based on existing data, we are currently projecting a slight deficit of \$7.1 million.

Attachments (9)

cc: Council Divisions
Auditor General
Norman White, Finance Director
Pamela Scales, Budget Director
Renee Short, Budget Manager
Tanya Stoudemire, Finance - Project Administration
Kamau Marable, Mayor's Office

Chart 1

Monthly Comparison Detroit Gaming Tax Collections By Fiscal Year

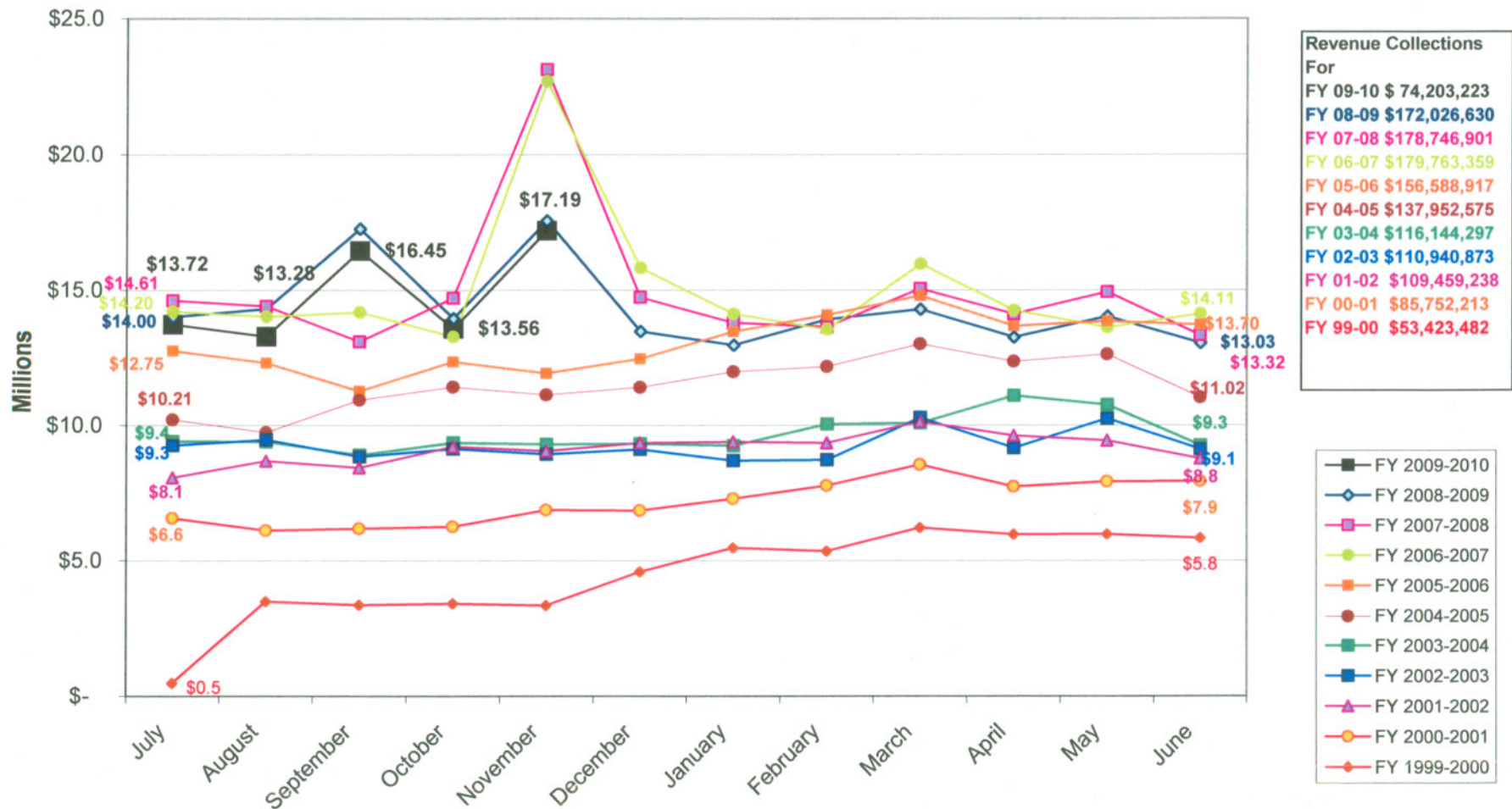


Chart1A

Monthly Comparison Adjusted Gross Casino Gaming Receipts By Fiscal Year

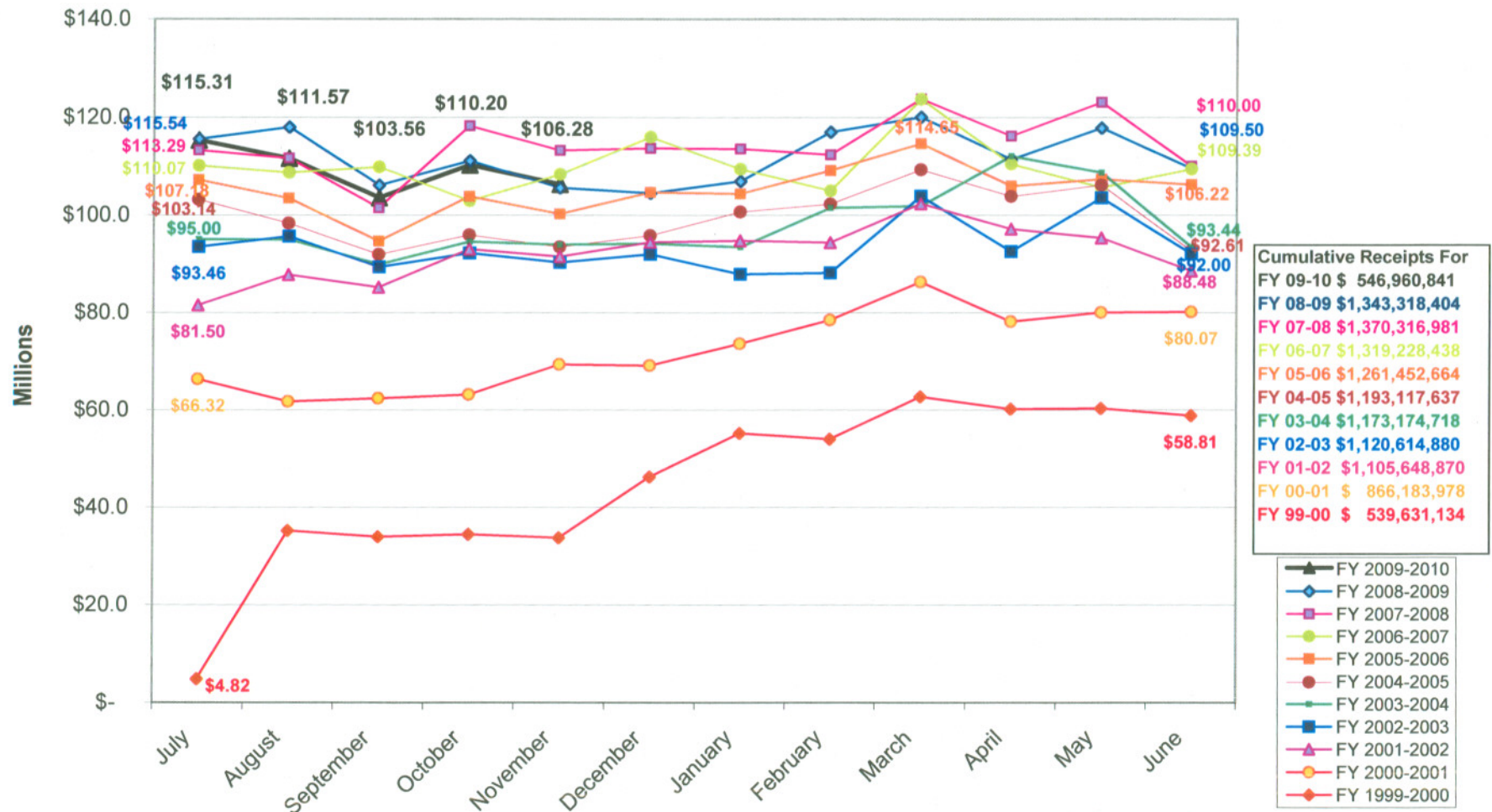


Chart 2

Monthly Detroit Gaming Tax Collections

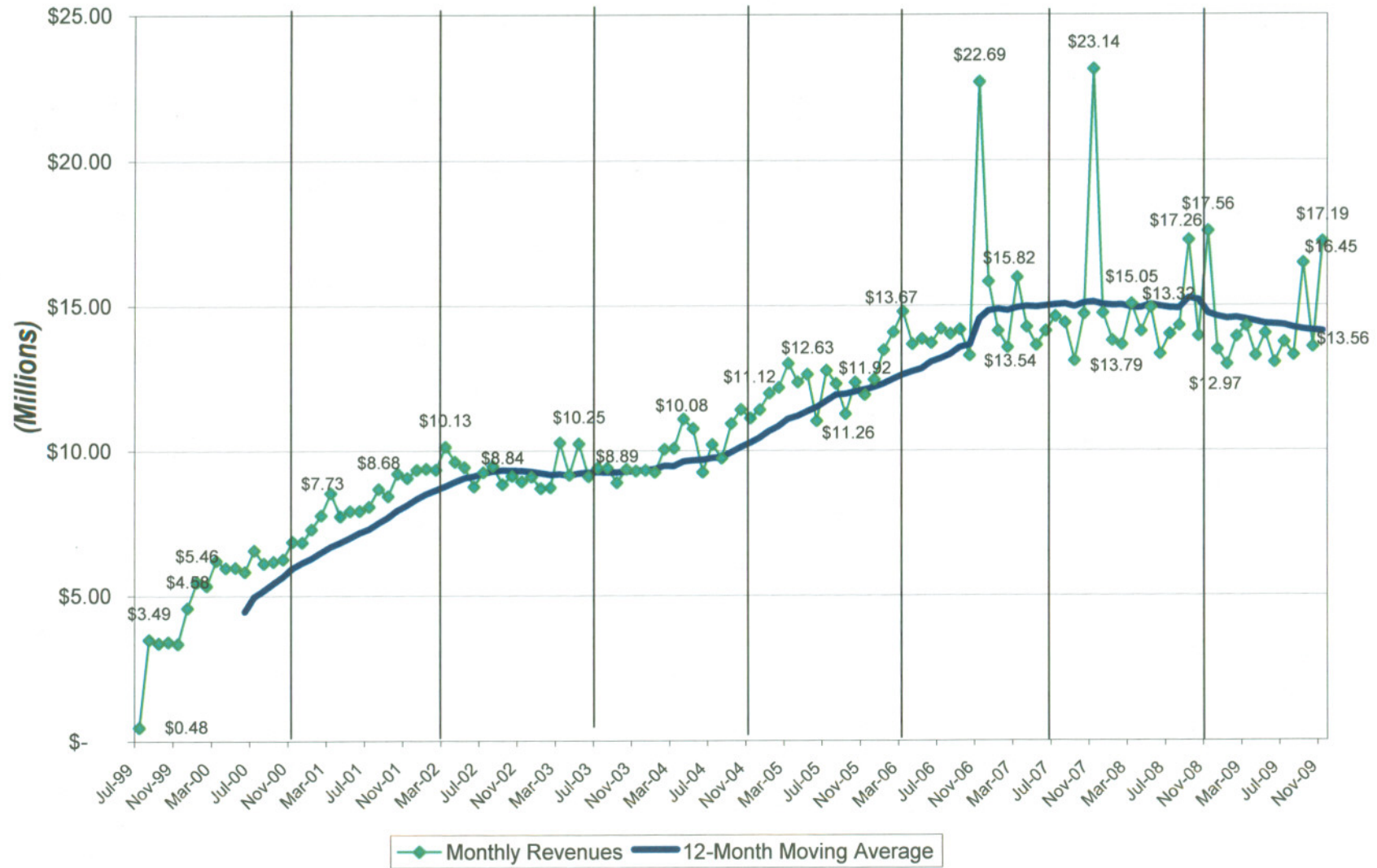


Chart 2A

Monthly Adjusted Gross Casino Gaming Receipts

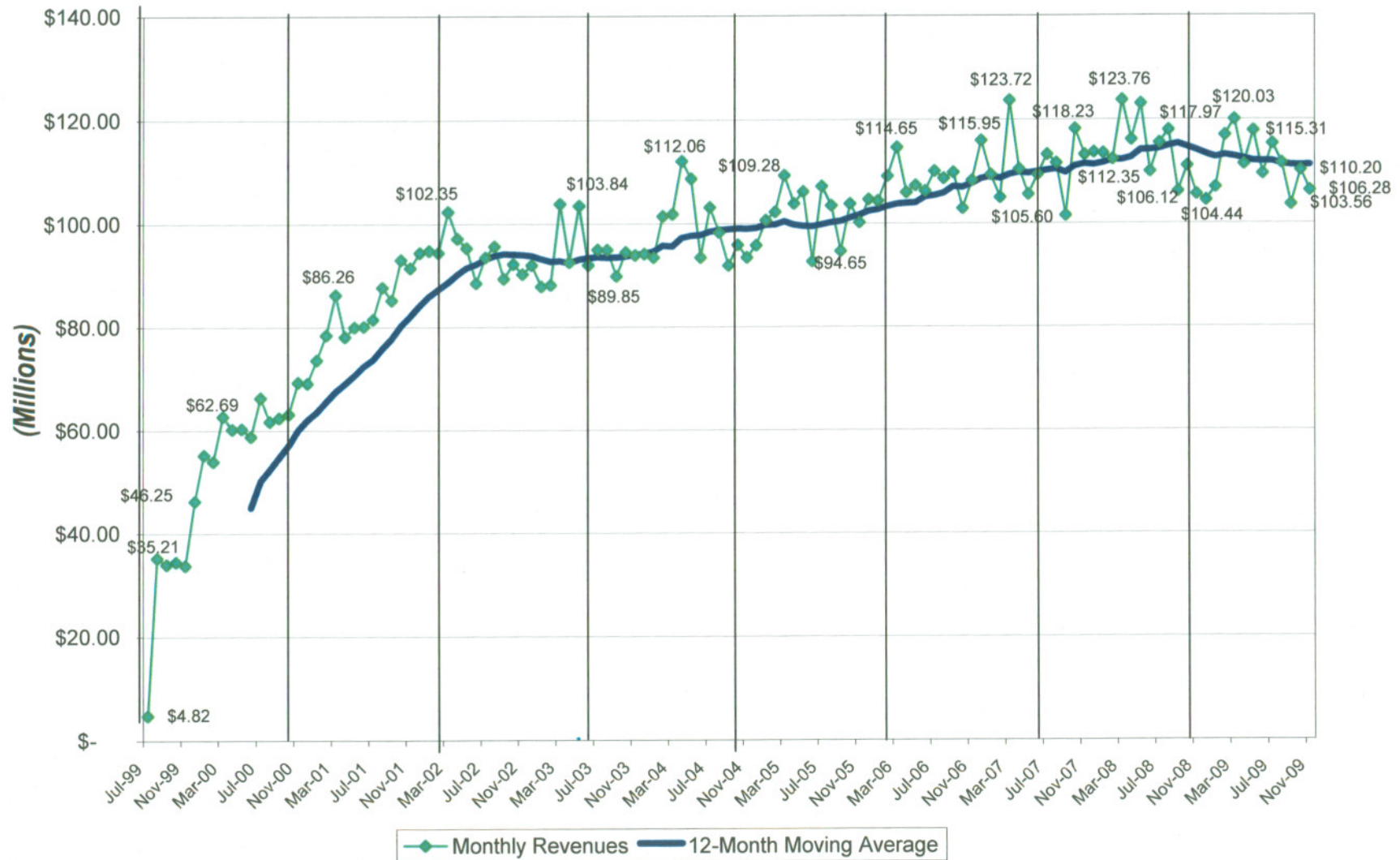


Chart 3

MGM Monthly Comparison Adjusted Gross Gaming Receipts By Fiscal Year

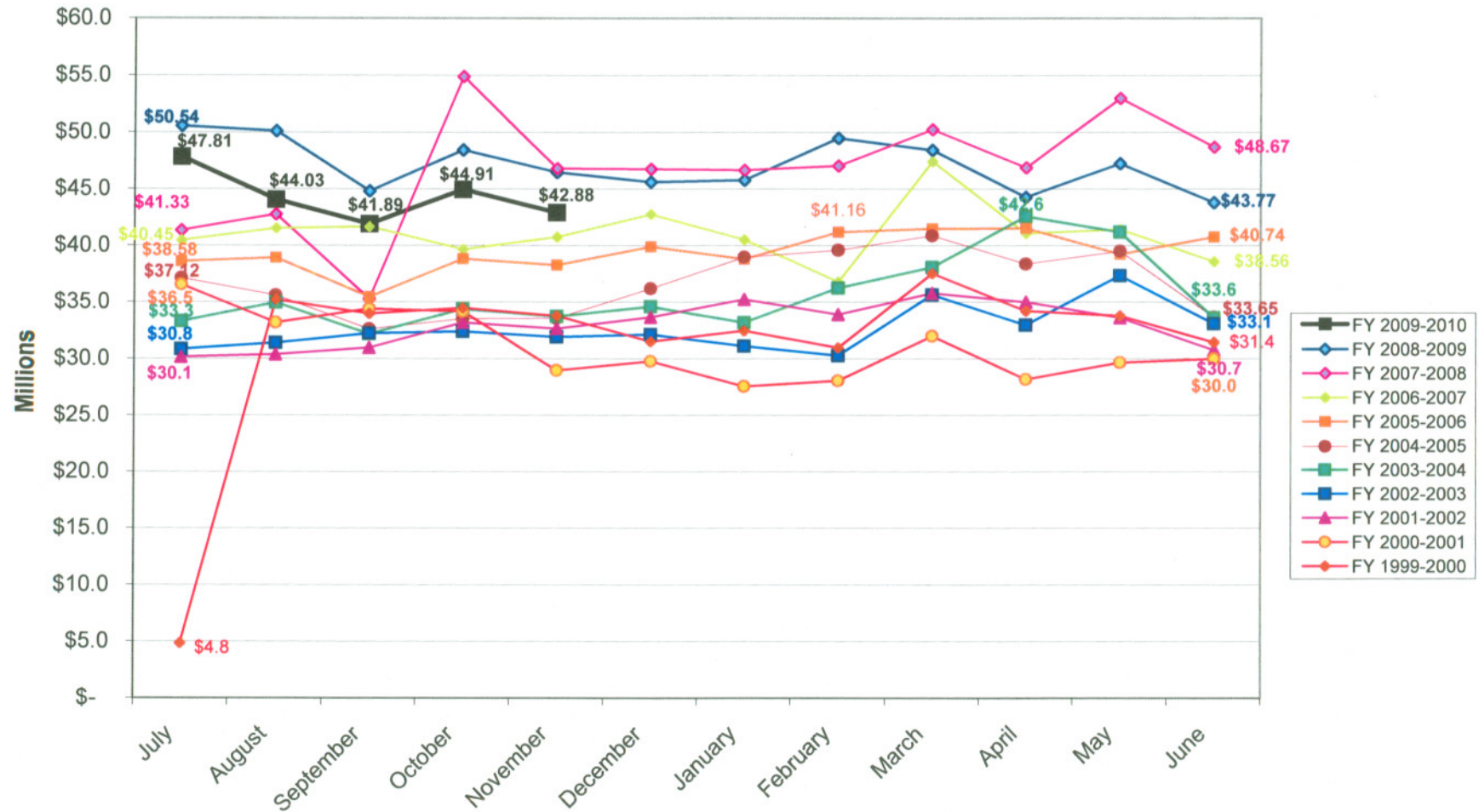


Chart 4

Motor City Monthly Comparison Adjusted Gross Gaming Receipts By Fiscal Year

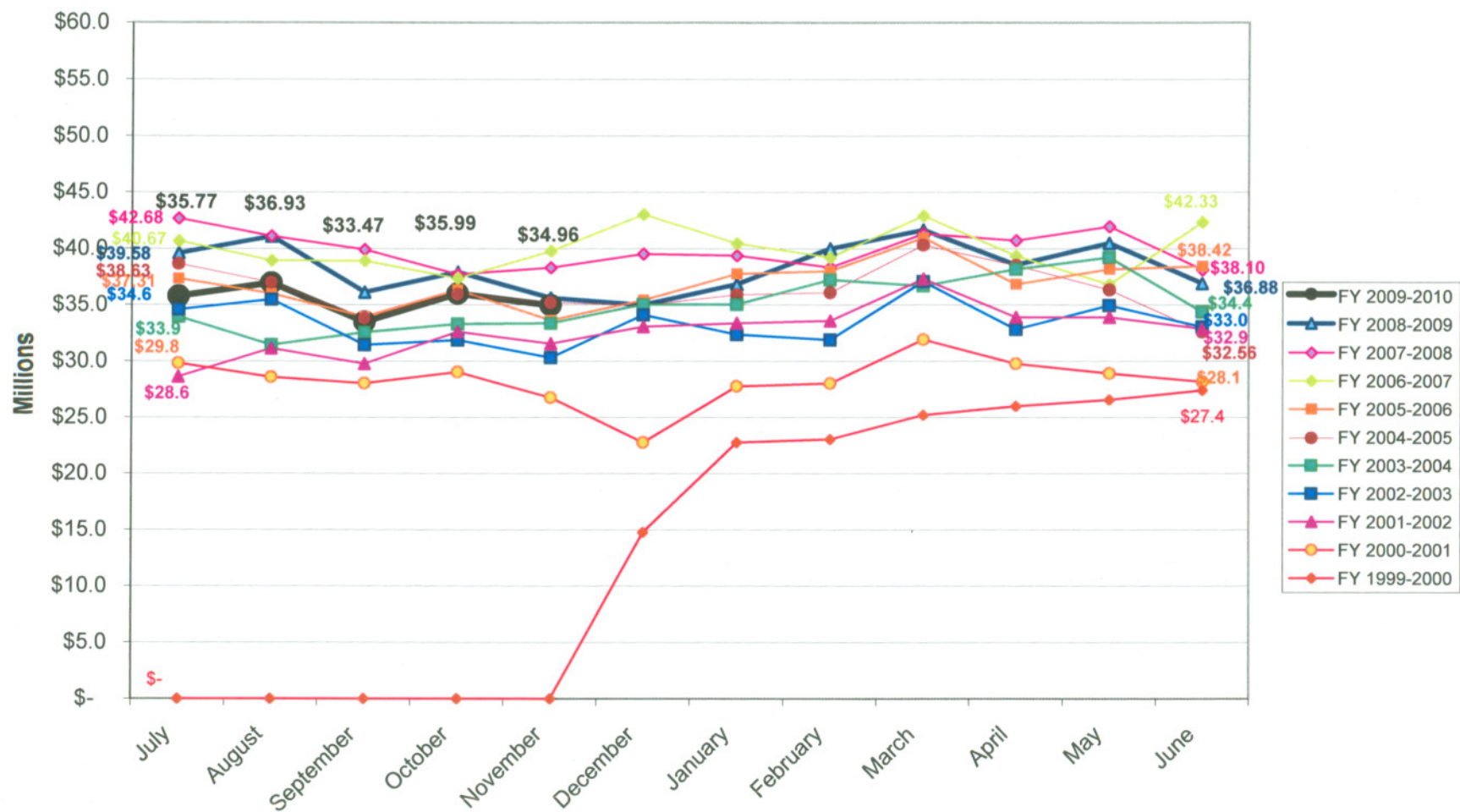


Chart 5

Greektown Monthly Comparison Adjusted Gross Gaming Receipts By Fiscal Year

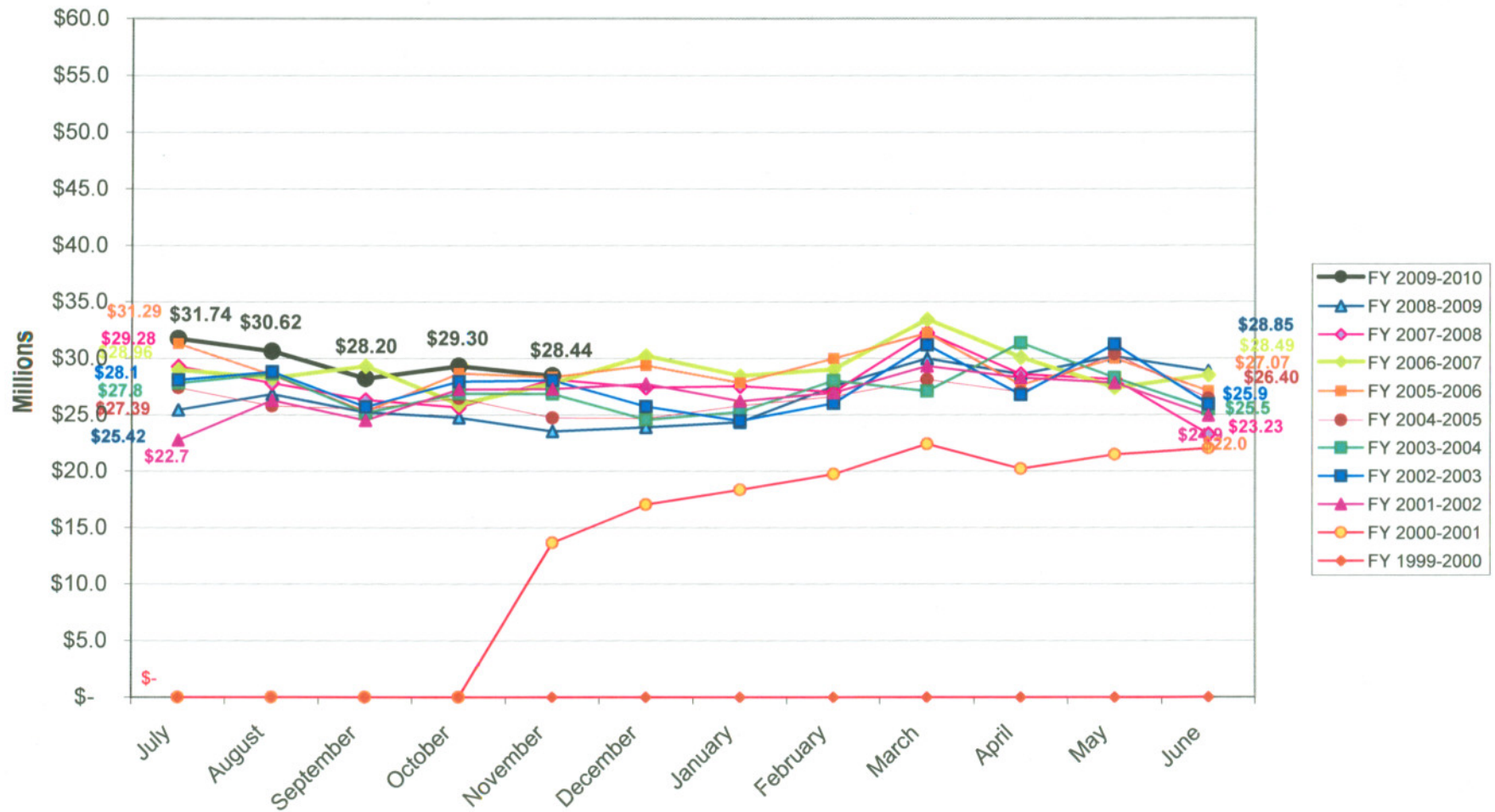


Table 1

Wagering Tax Proj - All Casinos

| | Total Adjusted Gross Receipts | Total Adjusted Gross Receipts | Chng. over prior month | Chng. over prior year | Total Adjusted Gross Receipts | Chng. over prior month | Chng. over prior year | Total Adjusted Gross Receipts | Chng. over prior month | Chng. over prior year | Total Adjusted Gross Receipts | Chng. over prior month | Chng. over prior year | Total Adjusted Gross Receipts | Chng. over prior month |
|---|-------------------------------|-------------------------------|------------------------|-----------------------|-------------------------------|------------------------|-----------------------|-------------------------------|------------------------|-----------------------|-------------------------------|------------------------|-----------------------|-------------------------------|------------------------|
| | FY 99-00 | FY 00-01 | | | FY 01-02 | | | FY 02-03 | | | FY 03-04 | | | FY 04-05 | |
| July | \$ 4,818,554.11 | \$ 66,323,549.18 | 12.77% | 1276.42% | \$ 81,496,908.67 | 1.78% | 22.88% | \$ 93,464,344.37 | 5.63% | 14.68% | \$ 94,996,882.60 | 3.26% | 1.64% | \$ 103,137,181.92 | 10.38% |
| August | \$ 35,206,963.97 | \$ 61,725,994.28 | -6.93% | 75.32% | \$ 87,712,104.68 | 7.63% | 42.10% | \$ 95,624,361.82 | 2.31% | 9.02% | \$ 94,945,297.86 | -0.05% | -0.71% | \$ 98,284,018.21 | -4.71% |
| September | \$ 33,951,508.55 | \$ 62,400,590.64 | 1.09% | 83.79% | \$ 85,194,954.99 | -2.87% | 36.53% | \$ 89,330,627.77 | -6.58% | 4.85% | \$ 89,846,284.46 | -5.37% | 0.58% | \$ 91,879,662.05 | -6.52% |
| October | \$ 34,457,655.34 | \$ 63,154,788.42 | 1.21% | 83.28% | \$ 93,009,539.88 | 9.17% | 47.27% | \$ 92,160,878.71 | 3.17% | -0.91% | \$ 94,497,435.81 | 5.18% | 2.54% | \$ 95,876,962.42 | 4.35% |
| November | \$ 33,753,191.20 | \$ 69,311,190.20 | 9.75% | 105.35% | \$ 91,433,716.17 | -1.69% | 31.92% | \$ 90,243,781.15 | -2.08% | -1.30% | \$ 93,902,353.28 | -0.63% | 4.05% | \$ 93,449,975.38 | -2.53% |
| December | \$ 46,250,828.30 | \$ 69,524,423.42 | 0.31% | 50.32% | \$ 94,402,799.35 | 3.25% | 35.78% | \$ 91,920,659.97 | 1.86% | -2.63% | \$ 94,143,405.98 | 0.26% | 2.42% | \$ 95,793,618.31 | 2.51% |
| January | \$ 55,200,849.45 | \$ 73,592,001.56 | 5.85% | 33.32% | \$ 94,761,814.26 | 0.38% | 28.77% | \$ 87,887,493.44 | -4.39% | -7.25% | \$ 93,418,339.78 | -0.77% | 6.29% | \$ 100,641,632.70 | 5.06% |
| February | \$ 53,986,302.45 | \$ 75,747,462.08 | 2.93% | 40.31% | \$ 94,372,441.05 | -0.41% | 24.59% | \$ 88,132,675.16 | 0.28% | -6.61% | \$ 101,448,959.91 | 8.60% | 15.11% | \$ 102,234,696.19 | 1.58% |
| March | \$ 62,688,959.46 | \$ 86,262,860.21 | 13.88% | 37.60% | \$ 102,350,849.53 | 8.45% | 18.65% | \$ 103,839,988.50 | 17.82% | 1.45% | \$ 101,817,213.41 | 0.36% | -1.95% | \$ 109,276,275.06 | 6.89% |
| April | \$ 60,187,608.42 | \$ 78,094,868.65 | -9.47% | 29.75% | \$ 97,128,696.05 | -5.10% | 24.37% | \$ 92,518,292.64 | -10.90% | -4.75% | \$ 112,058,689.00 | 10.06% | 21.12% | \$ 103,817,060.60 | -5.00% |
| May | \$ 60,316,238.91 | \$ 79,973,338.46 | 2.41% | 32.59% | \$ 95,300,333.75 | -1.88% | 19.17% | \$ 103,491,412.70 | 11.86% | 8.60% | \$ 108,663,278.95 | -3.03% | 5.00% | \$ 106,113,250.65 | 2.21% |
| June | \$ 58,812,474.03 | \$ 80,072,911.35 | 0.12% | 36.15% | \$ 88,484,712.03 | -7.15% | 10.51% | \$ 92,000,364.73 | -11.10% | 3.97% | \$ 93,436,577.00 | -14.01% | 1.56% | \$ 92,613,303.37 | -12.72% |
| TOT RECEIPTS thru FY | \$ 539,631,134.19 | \$ 866,183,978.45 | | 60.51% | \$ 1,105,648,870.41 | | 27.65% | \$ 1,120,614,880.96 | | 1.35% | \$ 1,173,174,718.04 | | 4.69% | \$ 1,193,117,636.86 | |
| Receipts thru Cal Yr. | | | | | | | | | | | | | | | |
| Wagering Tax - pre 9/2004 (State Law) | 9.90% | 9.90% | | | 9.90% | | | 9.90% | | | 9.90% | | | 9.90% | |
| Wagering Tax - post 9/2004 (State Law) | | | | | | | | | | | | | | 11.90% | |
| Wagering Tax - post 1/2006 (Dev. Agrmt) | | | | | | | | | | | | | | | |
| Add'l 1% after calendar year hits \$400 M (Dev. Agrmt) | | | | | | | | | | | | | | | |
| Wagering Tax - post 10/07 - 30 days after permanent opens (State Law) | | | | | | | | | | | | | | | |
| Wagering Tax FYTD | \$ 53,423,482.28 | \$ 85,752,213.87 | | | \$ 109,459,238.17 | | | \$ 110,940,873.22 | | | \$ 116,144,297.09 | | | \$ 137,952,574.78 | |
| Wagering Tax FYTD | \$ 53,423,482.28 | \$ 85,752,213.87 | | | \$ 109,459,238.17 | | | \$ 110,940,873.22 | | | \$ 116,144,297.09 | | | \$ 137,952,574.78 | |
| First 5 month's receipts | \$ 142,187,873.17 | \$ 322,916,112.72 | | 127.11% | \$ 438,847,224.39 | | 35.90% | \$ 460,823,993.82 | | 5.01% | \$ 468,188,254.01 | | 1.60% | \$ 482,627,799.98 | |
| Last 7 Months | \$ 397,443,261.02 | \$ 543,267,865.73 | | | \$ 666,801,646.02 | | | \$ 659,790,887.14 | | | \$ 704,986,464.03 | | | \$ 710,489,836.88 | |
| Ratio of first 5 months to last 7 months | 279.52% | 168.24% | | | 151.94% | | | 143.18% | | | 150.58% | | | 147.21% | |
| est. last 7 months of receipts est. annual receipts | | | | | | | | | | | | | | | |
| Estimated wagering tax | | | | | | | | | | | | | | | |
| Budget | \$ 51,500,000.00 | \$ 80,700,000.00 | | 56.70% | \$ 95,800,000.00 | | 18.71% | \$ 105,000,000.00 | | 9.60% | \$ 110,000,000.00 | | 4.76% | \$ 117,600,000.00 | |
| Surplus/Deficit | \$ 1,923,482.28 | \$ 5,052,213.87 | | 162.66% | \$ 13,659,238.17 | | 170.36% | \$ 5,940,873.22 | | -56.51% | \$ 6,144,297.09 | | 3.42% | \$ 20,352,574.78 | |
| Add'l 1% after \$400M - PROJECTION | | | | | | | | | | | | | | | |
| Adjusted Surplus/Deficit | | | | | | | | | | | | | | | |

Table 1

Wagering Tax Proj - All Casinos

| | Chng. over prior year | Total Adjusted Gross Receipts | Chng. over prior month | Chng. over prior year | Total Adjusted Gross Receipts | Chng. over prior month | Chng. over prior year | Total Adjusted Gross Receipts | Chng. over prior month | Chng. over prior year | Total Adjusted Gross Receipts | Chng. over prior month | Chng. over prior year | Total Adjusted Gross Receipts | Chng. over prior month | Chng. over prior year |
|---|--------------------------|-------------------------------|---------------------------|--------------------------|----------------------------------|---------------------------|--------------------------|----------------------------------|---------------------------|--------------------------|----------------------------------|---------------------------|--------------------------|----------------------------------|---------------------------|--------------------------|
| | | FY 05-06 | | | FY 06-07 | | | FY 07-08 | | | FY 08-09 | | | FY 09-10 | | |
| July | 8.57% | \$ 107,183,066.76 | 15.73% | 3.92% | \$ 110,072,837.97 | 3.63% | 2.70% | \$ 113,292,228.60 | 3.57% | 2.92% | \$ 115,539,885.15 | 5.04% | 1.98% | \$ 115,312,145.66 | 5.31% | -0.20% |
| August | 3.52% | \$ 103,404,489.92 | -3.53% | 5.21% | \$ 108,670,718.41 | -1.27% | 5.09% | \$ 111,638,470.47 | -1.46% | 2.73% | \$ 117,966,649.27 | 2.10% | 5.67% | \$ 111,573,519.10 | -3.24% | -5.42% |
| September | 2.26% | \$ 94,646,506.32 | -8.47% | 3.01% | \$ 109,837,729.27 | 1.07% | 16.05% | \$ 101,472,179.99 | -9.11% | -7.62% | \$ 106,123,890.39 | -10.04% | 4.58% | \$ 103,556,540.50 | -7.19% | -2.42% |
| October | 1.46% | \$ 103,785,884.07 | 9.66% | 8.25% | \$ 102,879,908.44 | -6.33% | -0.87% | \$ 118,232,375.81 | 16.52% | 14.92% | \$ 111,054,369.91 | 4.65% | -6.07% | \$ 110,204,545.48 | 6.42% | -0.77% |
| November | -0.48% | \$ 100,200,007.05 | -3.46% | 7.22% | \$ 108,282,401.97 | 5.25% | 8.07% | \$ 113,205,571.06 | -4.25% | 4.55% | \$ 105,577,595.23 | -4.93% | -6.74% | \$ 106,284,089.97 | -3.56% | 0.67% |
| December | 1.75% | \$ 104,627,713.94 | 4.42% | 9.22% | \$ 115,954,230.89 | 7.09% | 10.83% | \$ 113,644,454.00 | 0.39% | -1.99% | \$ 104,443,448.24 | -1.07% | -8.10% | \$ - | -100.00% | -100.00% |
| January | 7.73% | \$ 104,344,788.88 | -0.27% | 3.68% | \$ 109,395,456.08 | -5.66% | 4.84% | \$ 113,538,879.23 | -0.09% | 3.79% | \$ 106,916,307.76 | 2.37% | -5.83% | \$ - | #DIV/0! | -100.00% |
| February | 0.77% | \$ 109,110,654.88 | 4.57% | 6.73% | \$ 104,978,178.00 | -4.04% | -3.79% | \$ 112,348,111.49 | -1.05% | 7.02% | \$ 116,961,635.84 | 9.40% | 4.11% | \$ - | #DIV/0! | -100.00% |
| March | 7.33% | \$ 114,646,495.31 | 5.07% | 4.91% | \$ 123,724,595.76 | 17.86% | 7.92% | \$ 123,755,237.80 | 10.15% | 0.02% | \$ 120,025,025.84 | 2.62% | -3.01% | \$ - | #DIV/0! | -100.00% |
| April | -7.35% | \$ 105,961,980.53 | -7.58% | 2.07% | \$ 110,447,576.58 | -10.73% | 4.23% | \$ 116,140,232.49 | -6.15% | 5.15% | \$ 111,379,057.92 | -7.20% | -4.10% | \$ - | #DIV/0! | -100.00% |
| May | -2.35% | \$ 107,320,342.18 | 1.28% | 1.14% | \$ 105,599,379.09 | -4.39% | -1.60% | \$ 123,052,907.87 | 5.95% | 16.53% | \$ 117,827,962.49 | 5.79% | -4.25% | \$ - | #DIV/0! | -100.00% |
| June | -0.88% | \$ 106,220,734.54 | -1.02% | 14.69% | \$ 109,385,425.87 | 3.59% | 2.98% | \$ 109,996,332.91 | -10.61% | 0.56% | \$ 109,502,576.14 | -7.07% | -0.45% | \$ - | #DIV/0! | -100.00% |
| TOT RECEIPTS thru FY | 1.70% | \$ 1,261,452,664.38 | | 5.73% | \$ 1,319,228,438.33 | | 4.58% | \$ 1,370,316,981.72 | | 3.87% | \$ 1,343,318,404.18 | | -1.97% | \$ 546,930,840.71 | | -59.29% |
| Receipts thru Cal Yr. | | | | | | | | \$ 993,695,395.73 | | | \$ 1,043,238,557.78 | | | \$ 911,845,335.48 | | |
| Wagering Tax - pre 9/2004 (State Law) | | | | | | | | | | | | | | | | |
| Wagering Tax - post 9/2004 (State Law) | | 11.90% | | | | | | | | | | | | | | |
| Wagering Tax - post 1/2006 (Dev. Agrmt) | | 12.90% | | | 12.90% | | | 12.90% | | | 12.90% | | | 12.90% | | |
| Add'l 1% after calendar year hits \$400 M (Dev. Agrmt) | | | | | 1.00% | | | 1.00% | | | 1.00% | | | 1.00% | | |
| Wagering Tax - post 10/07 - 30 days after permanent opens (State Law) | | | | | | | | 11.90% | | | 11.90% | | | 11.90% | | |
| Wagering Tax FYTD | 18.78% | \$ 156,588,917.02 | | 13.51% | \$ 170,180,468.54 | | | \$ 168,809,946.93 | | | \$ 163,044,989.21 | | | \$ 65,084,770.04 | | |
| Add'l 1% after Casino reaches \$400M during calendar year (Dev Agrmt) | | | | | \$ 9,582,890.79 | | | \$ 9,936,953.96 | | | \$ 10,432,385.58 | | | \$ 9,118,453.35 | | |
| Total Revenue FYTD | | \$ 156,588,917.02 | | | \$ 179,763,359.33 | | | \$ 178,746,900.89 | | -0.57% | \$ 173,477,374.79 | | | \$ 74,203,223.40 | | |
| First 5 month's receipts | 3.08% | \$ 509,219,954.12 | | 5.51% | \$ 539,743,596.06 | | 5.99% | \$ 557,840,825.93 | | 3.35% | \$ 556,262,389.95 | | -0.28% | \$ 546,930,840.71 | | -1.68% |
| Last 7 Months Ratio of first 5 months to last / months | 0.78% | \$ 752,232,710.26 | | 5.88% | \$ 779,484,842.27 | | 3.62% | \$ 812,476,155.79 | | 4.23% | \$ 787,056,014.23 | | | | | |
| | | 147.72% | | | 144.42% | | | 145.65% | | | 141.49% | | | 144.82% | | 4 year avg. |
| est. last 7 months of receipts est. annual receipts | | | | | | | | | | | | | | \$ 793,193,617.03 | | 0.78% |
| | | | | | | | | | | | | | | \$ 1,340,124,457.74 | | -0.24% |
| Estimated wagering tax | | | | | | | | | | | | | | \$ 168,593,263.83 | | -2.82% |
| Budget | 6.91% | \$ 153,000,000.00 | | 30.10% | \$ 184,850,000.00 | | 20.82% | \$ 193,248,000.00 | | 4.54% | \$ 194,780,000.00 | | 0.79% | \$ 176,600,000.00 | | -9.33% |
| Surplus/Deficit | 231.24% | \$ 3,588,917.02 | | -82.37% | \$ (5,086,640.67) | | -241.73% | \$ (14,501,099.11) | | 185.08% | \$ (21,302,625.21) | | 46.90% | \$ (8,006,736.17) | | -62.41% |
| Add'l 1% after \$400M - PROJECTED | | | | | | | | | | | | | | \$ 881,546.65 | | |
| Adjusted Surplus/Deficit | | | | | | | | | | | | | | \$ (7,125,189.53) | | |